Audit's NEWS ANALYSIS OF SECURITIES OF REAL ESTATE INVESTMENT TRUSTS

Realty Trust Review

March 11, 1974 Vol. V, No. 5

VALUE GUIDE TO TRUSTS REVIEWED IN THIS ISSUE

Trust	Port. Yield	-6 Mo. Port. Chng.- Last	E Next	Lever. Ratio	Price	Div. Yield	Div. Reinv.	Page
BT Mtg. Inv.	11.87%	7%	5-8%	2.19	$16.25	12.3%	Yes	2
First Cont'l.	14.83	30	19	1.17	9.75	13.9	No	4
Great Amer. Mtg.	14.49	22	10	2.48	30.38	12.4	Yes	7
Gould Inv. Tr.	16.75	13*	10*	3.15	8.88	10.4	No	6
New Plan Rlty.	24.43	-9	NE	1.05	13.75	12.2	No	7
Property Capital	11.60	11	7	0.74	13.13	11.0	No	4
Realty Income	11.60	8	10-14	0.85	11.63	14.6	No	3
Rlty. Refund	11.87	8	5	1.09	16.50	14.3	No	3
U.S. Realty	12.61	6	4	2.69	11.25	12.1	Yes	5
Walter (Jim) Inv.	14.79	16	5-8	1.77	13.00	13.8	No	5
AVERAGES	14.48%	10.6%	8.3%	1.72		12.7%		

These three measures are selected to aid investors. Averages for the measures are shown so each trust may be compared to the average. Portfolio yield is a general measure of risk to the investor, with highest yield typically the riskiest for mortgage trusts. This connotation does not apply to equity trusts since manner of purchase and lease terms can cause wide variations. Changes in funded portfolio indicate relative dynamism of increases in earning assets, although holdings of equity trusts typically will increase much more slowly than mortgage trusts. Leverage ratio indicates a trust's ability to obtain external non-convertible funds, although recent financings or policy decisions may lower this ratio temporarily. Leverage is the ratio of all non-convertible debt to the trust's capital (equity plus convertibles plus subordinated debt). Ratios above 3.0 are rare and may portend capital financing. *Annual gains. NE-No estimate.

Trusts making dividend reinvestment plans available to shareholders are indicated above. Further information is available from the trusts themselves. Statistical summaries for each trust reviewed show the trust's operating record for the four latest quarters, including ranges for share prices and dividend yields. Price ranges are those for calendar quarters. Where calendar quarters and a trust's interim period do not coincide, prices are shown for the calendar quarter covering two months of the trust interim.

TRUSTS WITH LARGE MANAGEMENT SHAREHOLDINGS: RARE BREEDS AND SOUND VALUES

The group of trusts reviewed this month is distinguished by the fact that managers and corporate sponsors hold significant amounts of trust shares. The group is small because most corporate or individual sponsors of trusts have chosen to get their primary financial rewards from ownership of the advisory company. This inevitably has led to the feeling that the interests of (Turn to page 8.)

KENNETH D. CAMPBELL, EDITOR AND PUBLISHER. BERNARD SOLAS, C.F.A. DIRECTOR OF RESEARCH/ AUDIT INVESTMENT RESEARCH, INC., 230 PARK AVENUE, NEW YORK 10017

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REITS GRADUALLY WORKING OUT OF SOME PROBLEM LOAN SITUATIONS

Despite much bearish comment on Wall Street, REITs are gradually working out of their problem loan situations and incidence of new problem loans is receding. The twin factors of high money costs and shell-shocked housing consumers that caused numerous problem loan situations in the October-December quarter are no longer biting with a vengence. Many REITs are not out of the woods but mopping-up is proceeding about as rapidly as it can in real estate. Some items: *ICM Realty* has tentatively agreed to sell all six apartment projects of Walter J. Kassuba (RTR, Dec. 28) to a group of investors, taking back second mortgages for its $9.6 million investment. The loans would carry reduced interest for the first three years, lowering ICM earnings by about $0.16/sh. yearly. *First Mortgage Investors* announced a series of agreements which would reduce its holdings of Kassuba loans to about $20 million (4%), subject to bankruptcy court confirmation later this month. *Great American Mortgage,* reviewed this issue, has reduced its holdings from six to one foreclosed property. *CleveTrust Realty* and *HNC Mortgage & Realty*, other lenders to Kassuba, have also announced work-out agreements. *Property Capital Trust,* also reviewed this issue, has reduced holdings of investments with Jack P. DeBoer Assoc. from $6.3 million to $1.3 million through a series of sales completed last week. Some Wall Street analysts are suggesting that the mortgage REITs cannot obtain funds at good enough rates to maintain profits on future fundings; our checks indicate this generalization has to be applied highly selectively and that larger, better sponsored REITs are getting the money they need and maintaining profits. Subscribers should follow the list in the Jan. 28 issue.

BT MORTGAGE INVESTORS (16¼--NYSE-BTM) FY Sept.30

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price range-	-Yld. range-
3/73	$137.9M	11.34%	21.35%	$0.70	$0.72	$34.63-29.50	9.8-8.3%
6/73	146.9	11.26	20.76	0.70	0.70	31.50-24.25	11.6-8.9
9/73	151.0	12.58	17.12	0.58	0.60	30.88-23.00	10.4-7.8
12/73	157.2	11.87	14.57	0.50	0.50	31.00-17.63	11.3-6.5

Portfolio dynamics: During the past six months portfolio increased by 7% and mgmt. is expecting modest growth in fundings in next six months. Growth in the portfolio will primarily be in the intermediate term loan area. Investments by type of loan were 41% constr.; 20% intermediate; 16% long-term; 13% devel.; 7% wraparound and warehousing; 3% property acquired through foreclosure. Types of property were: 39% commercial & industrial; 32% apartments; 14% development; 8% office buildings; 7% wraparound. Loans are located: 56% Northeast; 29% Southeast; 8% Northwest; 7% Southwest. While 43% of loans are tied to prime, some have reached maximum so now only 26% are really floating with the prime. Trust has 9 loans amounting to $11.78M which are in arrears as to interest. Under properties acquired through foreclosure are three properties amounting $4.77M. Two of these three properties amounting to $4.61M are being sold. The loans in arrears and property acquired through foreclosure total $16.55M or 10.5% of the Dec. portfolio. Financing: Trust is funded 31% by capital and 69% by non-convertible debt. Capital of $49.7M is 60% in equity with 2.18M shares and 40% in 5 3/4% subor. deben. Debt of $109.1M is 58% commercial paper; 24% bank notes; 18% revolving credit. A public financing would depend on market conditions in the next six months. Trust has not been having difficulty selling its commercial paper lately and rates have averaged between 8.125-8.55%. Sponsor: Bankers Trust New York, holding company for seventh largest bank. On Dec. 31, 1973, all trustees, officers and their associates as a group owned 109,838 shares (5% of outstanding shares) and warrants to purchase 69,600 shares. Results & outlook: High interest rates, a slow up in fundings growth, a decline in portfolio yield and problem loans were mainly responsible for the drop in earnings and dividends the past six months. An indicated modest growth in portfolio in the next six months and workout time needed for problem loans should keep earnings and dividends from recovering dramatically. Shares sell for only a fair yield and command a relative premium, over book value. This reflects past performance and institutional sponsorship. Some earnings recovery should occur from lower interest rates on heavy short-term debt. (VCK)

REALTY REFUND TRUST (17--ASE-RRF) FY Jan. 31

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price range-	-Yld.range-
1/73	$27.8M	12.07%	11.81%	$0.55	$0.55	$23.00- 19.75	11.14- 9.57%
4/73	36.6	10.64	12.01	0.56	0.56	23.50- 20.25	11.06- 9.53
7/73	41.2	11.68	12.24	0.57	0.57	21.50- 18.13	12.58-10.60
10/73	41.7	11.87	12.50	0.58	0.58	20.75- 17.38	13.35-11.18

Portfolio dynamics: Fundings increased 14% over the six months to October, the limitation being inability to obtain new equity rather than unavailability of deals. The latest breakdown of net portfolio wrap financings is 36% garden apartments, 7% high-rise apartments, 21% office buildings, 19% industrial buildings, 9% motel and 7% shopping centers. (A wrap loan encompasses an existing first mortgage which the lender takes over and provides the borrower with additional funds.) The trust also does an occasional land leaseback and second mortgage. Loans cover about 25 properties in the states of Pennsylvania, Ohio, Illinois, Maryland, New York, Florida, Alabama and Texas. The wrap loans coterminate with the first mortgage and run for an average of about 13 years. Properties are never new. Apartments mostly run in age from three to ten years but a few are much older. The office buildings are 40 and 50 years old. No loans have been or are in default. Financing: Trust is funded 48% equity (1M shs. & wts.) and 52% debt, this consisting of an extendable two-year revolving bank line and a bank credit line. A planned public offering of convertible debt was cancelled in mid-1973 because of market conditions. Public equity type financing would be done as soon as market conditions permit. Bank lines will be increased in the meantime. Sponsor: Independent. Principals own close to 82,000 trust shares, about 8%. Results & outlook: Recent growth slowed because finances limited funding and debt carried higher interest rates. Jan. quar. earnings and dividends were up to $0.59/sh. Nevertheless, consistent quarter-to-quarter improvement continued, an increasingly distinctive feature among trusts. Every property has cash flow over loan service and none is said to have a trend indicating any change. Warrants expiring this June will be extended unless alternative is found. Funding growth will largely hinge on ability to raise new equity but lines can be further increased. Lower interest rates will provide a near-term boost. Lacking institutional sponsorship, the shares sell at a discount to most trusts. The shares are relatively attractive for secure income and modest growth. (BS)

REALTY INCOME TRUST (11¼--ASE-RIT) FY Apr. 30

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price range-	-Yld.range-
4/73	$60.3M	10.96%	9.28%	$0.30	$0.56	$15.38-12.88	17.4-14.6%
7/73	65.4	10.94	9.66	0.33a	0.38	15.50-13.00	11.5- 9.7
10/73	62.2	12.34	11.26	0.43a	0.425	15.50-13.13	13.0-11.0
1/74	70.7	11.60	9.49	0.32a	0.425	16.00-12.25	13.9-10.6

a-Excl. gain on sale of property equal to $0.24 per share for 9 mo. ended Jan.31'74.

Portfolio dynamics: The latest portfolio increased 8% over the past six months. Mgmt. estimates that fundings could increase by $7-8M in next six months based on present commitments and by $10M if new commitments are added. This increase would produce a 10-14% gain in portfolio in next six months. Present investments are 28% first mtg.; 22% land leasebacks; 20% junior; 15% improved property; 10% construction; 5% unimproved property. Portfolio by type of property is 26% apartment condomiums, 23% office buildings, 15% shopping centers, 15% mobile home parks, 10% development properties, 7% industrial properties, 4% hotels. Investments are located: 37% Northeast, 17% Far West, 16% Midwest, 15% Southeast, 15% Southwest. In Dec.'73, trust reported $3.75M loans to Walter J. Kassuba (see RTR, Dec. 27, 1973). The trust has not received rents on these properties for the past 3 months and is not accruing interest on the loans. The investments of the trust consist of land leasebacks on 3 completed apartment buildings. Two apartments with 850 units are near Chicago and the other apartment of 250 units is located in Atlanta, Ga. Mgmt. has recently inspected the properties and reports that they are all in good condition. Trust refused a settlement recently on these properties because it felt that the settlement was not equit-

able. Financing: Trust is funded 54% by capital and 46% by non-convertible debt. Capital of $39.4M is 51% in equity with 1.56M shares and 49% in 8% convt. subor. deben. Debt of $33.4M is 60% intermediate term loan, 27% mtg., 13% bank notes. No public financing is planned in next six months. Sponsor: Industrial National Corp., bank and financial services company listed NYSE, owns the adviser. Industrial National owns 20% of the shares of the trust and trustee and officers of the trust own about 5% of the shares. Results & outlook: The non-accrual of interest on Kassuba loans (5.3% of portfolio) plus a decline in yield were main reasons for lower earnings in the Jan. qtr. Near-term earnings will be held back until Kassuba situation is resolved though an increased rate of new fundings should help to overcome the Kassuba loans. Shares provide a fair yield. There may be speculative recovery potential if Kassuba loans are satisfactorily resolved and new growth obtained. (VCK)

FIRST CONTINENTAL REAL ESTATE INVESTMENT TRUST (9 1/8--OTC-FCRES) FY Feb. 28/29

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price range-	-Yld.range-
2/73	$28.5M	11.38%	15.09%	$0.35	$0.35	$14.38-11.75	11.9- 9.7%
5/73	33.5	11.62	11.54	0.29	0.21	13.00-11.00	7.6- 6.5
8/73	38.3	13.78	11.60	0.30	0.30	12.25- 9.63	12.5- 9.8
11/73	43.6	14.83	13.32	0.35	0.34	12.00- 8.13	16.7-11.3

Portfolio dynamics: Investments increased 30% the past six months. On Nov.'73 were: 45% constr., 44% land devel., 11% other. Portfolio by type was: 23% residential constr. (no high-rise or condominiums), 22% commercial constr. (incl. shopping centers, apartments, office buildings), 10% residential devel., 29% commercial land devel., 5% residential sites, 9% land, 2% second land & warehousing. All loans with the exception of an apartment project in Tulsa, Okla. are located in Texas (Houston, Dallas, Fort Worth, Austin, San Antonio). More loans will be made in Oklahoma and Colorado will be entered. Mgmt. estimated that portfolio will reach about $52M by May, a 19% gain in the next six months. All loans are tied to prime. Trust has no loans on which it had stopped accruing interest. Financing: Trust is funded 46% by capital and 54% by non-convertible debt. Capital of $21.9M is all equity with 2.11M shares. Debt of $25.7M is all bank notes. Trust does not plan any public financing in next six months but may seek term loan financing. Sponsor: First Continental Corp., mtg. banker. Trustees and officers owned 114,850 shares, 5.5%. Results & outlook: Significant gain in portfolio yield during the past six months, no problem loans and good increase in investments were sufficient to overcome high money costs to produce gains. (The drop from the Feb. to May'73 qtr. was due to a 986T share offering in April'73.) The current quarter should improve in line with past gains. The shares are above-average value and speculatively attractive for those able to incur the risk of a regional. Also, small size may limit access to more public equity.* (VCK)

PROPERTY CAPITAL TRUST (13--ASE-PCL) FY July 31

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price range-	-Yld.range-
4/73	$64.8M	11.11%	12.70%	$0.44	$0.41	$25.88-21.25	7.7- 6.3%
7/73	67.1	11.86	12.67	0.44	0.41	22.25-15.00	10.9- 7.4
10/73	67.7	11.76	10.92	0.38	0.38	16.38-13.00	11.7- 9.3
1/74	74.7	11.60	10.44	0.36	0.36	18.00- 9.50	15.2- 8.0

Portfolio dynamics: Current portfolio experienced an 11% gain over the last six months and composed: 63% land leasebacks, 34% long-term mtg., 3% short-term mtg. and partnerships. Composition by property type is: 46% apartments, 31% office buildings/parks, 14% retail/shopping centers, 6% hotels/motor inns, 3% industrial. Geographically, loans are located: 28% Far West, 24% Great Lakes, 18% Mid-Atlantic, 10% Southwest, 9% Midwest/Mountain, 5% New England, 6% Southeast. Mgmt. expects portfolio to reach about $80M by fiscal year-end July 31, 1974, a 7% gain over the next six months, with new investments in long-term mtg. and land leasebacks. All short-term loans are tied to prime. Presently 13 properties are producing overages, contributing a little over $0.02 per share per quarter. Trust recently sold some DeBoer holdings and presently has $1.27M

*Audit Inv. Res. employees hold a minor position in these shares.

down from $6.3M originally. All loans to DeBoer are current. Trust has one loan for $500T on which it is not accruing interest, a land leaseback on an apartment. The apartment is now being managed by Lincoln Properties and was said to be getting better. Financing: Trust is funded 57% by capital and 43% by non-convertible debt. Capital of $46.3M is 61% in equity with 2.07M shares and 39% in 6½% senior notes due 1990. Debt of $34.3M is all bank notes. No public financing is planned in the next six months. Sponsor: Independent. Trustees and officers of the trust owned 64,625 shares, 3.1% on Jan. 31, 1974. Results & outlook: High cost of bank borrowings and a slight drop in portfolio yield were the main factors for the recent six month decline. Recent drop in short-term rates if continued should help near-term. Slower portfolio growth may moderate gains but better overages from the quality holdings could overcome this. The shares sell at a premium to the group, about properly valued. They offer fair, reasonably secure yield and modest appreciation potential. (VCK)

JIM WALTER INVESTORS (13¼--OTC-WALTS) FY July 31

Quar.	Port.	Port.Yld.	Cap.Ret.	Cash flow	Div.	-Price range-	-Yld.range-
4/73	$35.1M	12.36%	8.39%	$0.38	$0.38	$17.63-15.38	9.9- 8.6%
7/73	40.4	12.98	9.32	0.41	0.45	15.63-14.00*	12.9-11.5
10/73	43.3	14.14	10.58	0.47	0.45	14.63-14.50*	12.4-12.3
1/74	46.9	14.79	10.41	0.46	0.45	16.50-11.00*	16.7-10.9

*Prices from Realty Trust Review.

Portfolio dynamics: Current portfolio, which increased 16% over the past six months, was 64% mtg. and 36% real estate. Mtg. were 72% constr., 20% land & land devel., 8% intermediate. Real estate is 8 properties. Mortgages were: 42% apartments, condominiums, single family; 18% commercial; 18% industrial; 10% mobile home parks; 8% recreation & other; 4% land & land devel. Investments are located in 9 states with concentration in Fla.-56%; Texas-18%; Calif-13%. Some 70% of loans are tied to prime. Trust has no problem loans. Mgmt. expects slower portfolio growth the next six months since fewer new loans came in and are being more conservatively viewed. Funded portfolio growth of 5-8% appears likely. Financing: Trust is funded 36% by capital and 64% by non-convertible debt. Capital of $19M is all equity, 1.04M shares with warrants. Debt of $33.5M is 60% bank notes & notes payable, 28% mtg., 12% in 5-year Eurodollar senior subor. debt. No public offering is planned the next six months. Sponsor: Jim Walter Corp., major building materials producer, owns 100,000 shares (9.7%). Results & outlook: Healthy funding gains and increased portfolio yield enabled higher six months results. Slowdown in portfolio growth indicates some leveling off the next six months. Reflecting small size, regionality and lack of financial institutional sponsorship, the shares sell statistically below average. Further successful achievement of a track record would enable the shares to be speculatively rewarding. (VCK)

U.S. REALTY INVESTMENTS (11 5/8--NYSE-UTY) FY Dec. 31

Quar.	Port.	Port.Yld.	Cap.Ret.	Cash flow	Div.	-Price Range	-Yld.range-
12/72	$120.1M	11.74%	11.38%	$0.36	$0.34	$16.38-15.00	9.07- 8.30%
3/73	121.6	12.05	11.54	0.36	0.34	16.13-15.00	9.07- 8.43
6/73	126.6	12.36	11.12	0.34	0.34	15.50-12.88	10.56- 8.77
9/73	129.5	12.61	10.00	0.29	0.34	14.38-13.13	10.36- 9.46

Portfolio dynamics: Total fundings increased 6% in the last six months on the strength of 15% more mortgages while equity holdings were flat. This brought the mix to 51% equity and 49% mortgages. The equity portfolio was 38% shopping centers, 29% motels, 27% office buildings, 3% apartments and 3% other. Over 90% of the properties were net leased including all the motels. The loan portfolio was 60% construction, 9% standing, 6% wrap around, 6% land development, 5% standby, 3% long term and 10% other short term. Properties are in Cal., Fla., Ga., Ill., Mich., Mo., O., Pa. and Tex. Mortgages are in 20 states. Two significant joint ventures with Forest City Enterprises are underway: six 256-suite apartment buildings in Denver and a 70-acre shopping

center in Wheatfield, N. Y., the first phase of a varied 1,500-acre development. In Denver, only the first building was completed and is not doing well in a soft market. It is hoped cash flow will start by the end of 1974. By far the most significant undertaking is the $250M downtown Cleveland program. Located near city and suburban transit, its importance rose with efficient transportation required by fuel shortages. Encompassing 35 acres, the first stage is two 480T sf office buildings, one owned by the state of Ohio and the other by UTY. The trust's building is pre-rented. Foundations are in place. Work is to start in 12 months. The $12M for the land was borrowed from Cleveland Trust @ 9%. A big institution will supply the capital. Other joint venture partners will be sought through the rest of the development. The project surrounds Terminal Tower, UTY's biggest asset. Financing: Funding is 73% debt, 27% capital. Equity is 70% of the capital, $26M, with convertible debt 30%. The straight debt is $41.8M mortgages and $59.6M bank loans. Sponsor: Independent. Principals, from a Cleveland real estate law firm, own 216T shares, 6.4%. Results & outlook: Earnings fell the last three quarters of 1973, down to $0.17/sh. in the Dec. qtr. Higher interest costs not offset by some fixed lending rates was the cause. Cash flow is holding up better. Pressures are continuing in the first qtr. 1974 with net to about equal the $0.17 of the fourth qtr. Fundings are likely to increase modestly. Longer term, the downtown Cleveland development holds considerable potential. The shares are reasonably valued for this type trust providing secure dividends and appreciation possibilities over time. (BS)

GOULD INVESTORS TRUST (8 5/8--ASE-GTR) FY Sept. 30

Year	Port.	Port.Yld.	Cap.Ret.	Cash flow	Div.	-Price range-	-Yld.range-
9/70	$31.9M	---	---	$0.71d	---	$10.50- 3.25	---
9/71	33.1	15.64%	11.06%	0.76	$0.36	8.50- 4.88	7.4- 4.2%
9/72	32.8	16.05	12.08	0.77	0.74	8.75- 6.88	10.8- 8.5
9/73	37.0	16.75	10.64	0.91	0.845	9.00- 7.25	11.7- 9.4

d-deficit

Portfolio dynamics: Investments increased 13% over the past year and were broken down: 59% building, 18% land, 23% mtg. & investments in unconsolidated ventures. Equity investments (land & buildings) include 30 properties located in 9 states. The 30 properties are: 1 office building (370 Lexington Ave., N.Y.C.)11 industrial buildings; 9 shopping centers; 6 apartments & garden apartments; 3 land leasebacks. The office building at 370 Lex. Ave. represents 15% of the equity portfolio, has 215T sq. ft. and is nearly fully leased. The vacancy factor in the rest of the trust's equity portfolio is very small. Apartments are under six years old. Trust's mtg. investments are standing or second mtg. and gap financing commitments. Trust does not make constr. or permanent mtg. loans. Trust's new investment will lean more heavily to equity. Presently negotiations are being completed to purchase an apartment and negotiate a land leaseback under an apartment. Three existing shopping centers are being expanded. There is one mtg. loan of $250T on which interest is not being accrued. Financing: Trust is funded 24% by capital and 76% by non-convertible debt. Capital of $9.1M is all equity with 1.18M shares. Debt of $28.6M is 84% mtg. and 16% bank notes & other notes. Trust does not plan a public financing in next six months. Sponsor: Independent. Trustees, both outside and inside, and officers own 25% of the shares. Results & outlook: Of the $0.845 dividend paid in fiscal 1973, $0.525 was taxable as normal income and $0.32 was taxable as long term capital gains. On November 16, 1973 trust declared a dividend of $0.23 indicating a $0.92 annual rate. Trust's equity investments are sound holdings with a good number leased to major tenants, producing low vacancy factor. New investments appear to be of the same "sound" caliber due to the conservative investment approach of the trust. Shares currently selling at a premium over the group generally, they are in line for sound, good grade equity. The shares are attractive for secure dividends providing reasonable yield and probably modest appreciation. (VCK)

NEW PLAN REALTY TRUST (13 3/4--OTC-NPLNS) FY July 31

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price range-	-Yld.range-
4/73	$18.8M	24.55%	11.46%	$0.28	$0.42	$16.75-15.50	10.8-10.0%
7/73	18.6	12.25a	7.25	d0.03a	0.42	14.88-14.50	11.6-11.3
10/73	17.2	23.65	12.55	0.41	0.42	15.00-14.63	11.5-11.2
1/74	17.0	24.43	13.54	0.42	0.42	15.88-12.25	13.7-10.6

a-Portfolio yield and earnings affected by property exchange; see text.

Portfolio dynamics: Net value of holdings declined by about 9% the past six months, reflecting depreciation charges and a property exchange which reduced net assets slightly but was expected to increase yield. Holdings are 83% equity ownership of property and 17% mortgage loans, primarily purchase money second mortgages and leasehold mortgages on New York City office buildings. Equity holdings are 50% shopping centers, 29% commercial and industrial, 18% apartments, and 3% unimproved land and leaseholds. Shopping centers total 913,000 sq. ft., with largest holding being the Roosevelt Mall Northwest shopping center in Philadelphia, 553,000 sq. ft. subject to various leases. Other centers are the Rodney Village, Dover, Del., and Northland Shopping Plaza, Watertown, N. Y. Centers are well-occupied except Northland where FBC Co., a discounter which recently sought Chapter XI protection, has relinquished 56,000 sq.ft. New tenants are being sought for this center, acquired in an exchange last summer. A total 622 apartment units are owned in three projects, and industrial properties are well tenanted. Construction on a vacant parcel in New Jersey is planned later this year. Financing: Capital funds include $5.3M shareholders' equity with 665T shares, and $5.8M convertibles. Non-convertible debt of $11.7M is primarily mortgages on property. Sponsor: New Plan converted into trust format via a public offering in Dec. 1972 after operating as a corporation for several years. President William Newman, his family and other officers, own 32.6% of shares. Results and outlook: Dividends and earnings have been maintained and most new leases provide escalator clauses to pass fuel, tax and other increases on to tenants. Shopping properties contain overages based on sales volume. The Watertown vacancy could slow results near-term but management has a good longer-term record and while trust is quite small, shares have steady dividend and moderate appreciation potential.

(KDC)

GREAT AMERICAN MORTGAGE INVESTORS (30 3/8--NYSE-GAA) FY July 31

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price range-	-Yld.range-
4/73	$331.4M	11.56%	18.86%	$0.82	$0.81	$40.38-34.00	9.5-8.0%
7/73	372.4	13.30	20.09	0.87	0.85	35.88-28.50	12.0-9.5
10/73	426.3	14.58	21.36	0.92	0.90	36.75-30.25	11.9-9.8
1/74	453.3	14.49	21.46	0.95	0.945	38.50-26.75	14.1-9.8

Portfolio dynamics: Funded portfolio gained 22% over the last six months but a slight slowing of commitments indicates more modest growth, perhaps 10% or so, over the near-term. Portfolio yield has been well-maintained at about 4½% over the prime rate; about 60% of loans are tied to the prime rate, 20% to the higher of prime or the commercial paper rate, and the remainder at fixed rates. New commitments dropped sharply in November and December but now have regained most ground. Quality of submissions is said to be extremely high, with Texas and Florida continuing strong. New condominiums and condo conversions, plus some shopping centers, comprise the bulk of business. Like many other short-term REITs, GAMI is just about stopped making new land loan commitments. More deals are being structured so the trust shares in project success. The portfolio at Oct. 31 was 66% first mtg. construction loans, 20% first mtg. land acquisition and development loans, 7% junior mtgs., 4% standing loans, 1.5% acquired property, 0.6% refinancing of foreclosed property, and 0.4% other investments in joint ventures, land and shares of other REITs. By location, 32.6% of commitments are in Florida, 18.1% in Texas, and 17.1% in Georgia. By property type, advances are 33% apartments and housing, 22½%

condominiums, 20% land, 8.8% motel and hotel, with the remainder diversified. GAMI has aggressively moved both to act quickly on problem loans and to report these situations to shareholders. During the January quarter three of six foreclosed properties were sold, reducing foreclosures to $6.79 million, or 1.5% of investments, and two properties have subsequently been sold. The remaining acquired property, an Atlanta apartment valued at $5.3 million, is just being completed and renting. In addition, the trust was not accruing interest on $10.9 million loans on Jan. 31, or about 2.4% of holdings. Financing: Trust is funded 71% by non-convertible senior debt and 29% by equity and subordinate debt capital. Capital funds include $71M shareholders' equity (w. 4.45M shares), $7.8M convertible debt and $60M of subordinate non-convertible debt. Straight debt is 54% short-term bank borrowings, 39% commercial paper, and 7% bank term loans. Trust reports some tougher time selling commercial paper and outstanding paper fell about $62M during January quarter. Drop has been offset by placement of $50M of new term and subordinate debt. Sponsor: UniCapital Corp., a consumer finance company. Officers and trustees (excluding UniCapital) hold 3.8% of shares. Results and outlook: Continued funding growth and gradually widening spreads permitted January quarter results to continue GAMI's amazing record of earnings gains over 18 quarters (4½ years). As noted, trust's policy of moving aggressively upon problem loans and reporting them to shareholders has both maintained the superior earnings record and sustained investor confidence, although the selloff to a 14.1% yield basis in the January quarter represented a panic bottom. Although fundings may slow a bit, falling interest rates should widen spread and continue earnings growth. Advisory fee, among the industry's lowest, is essentially a cost-plus fee with adviser getting an incentive share of earnings over a 12% return on equity. At current depressed levels shares represent an excellent vehicle for price recovery and continued earnings gains. (KDC)

(Cont'd. from p. 1) shareholders and those of sponsor-managers are not the same. This schizoid tendency of trusts is often overstated and illusory but there's no denying the fact that large share ownership puts managers firmly on the side of shareholders as no other device can do. But trust industry practices are changing rapidly. Three trusts have now adopted fee schedules which reward managers with a share of profits before the advisory fee. This means that fees will not go up automatically as assets increase. The three have chosen different percentages to reflect portfolio mix and advisor effort: *MassMutual* is 17½%; *First Pennsylvania Mortgage*, 20%; and *Continental Illinois Realty*, 25% with a minimum. And most surprising of all, *Gulf South Mortgage Investors* has just severed ties with its adviser and hired most employees so that the trust will be self-administered. How reliable as an investment is the fact of strong manager ownership? The reviews suggest that it helps but is no guarantee of success. Last year 15 REITs with inside ownership declined an average of 19.0%, vs. 28.8% for all REITs and only 14.3% for the S&P 500. The equity REITs in this group were about even with the S&P 500 though at a 14.2% decline. So this group performed well.

THREE KEY RATIOS

	Loss Res.#	Prob. Loans#	Exp. Ratio*
BT Mtg. Inv.	0.20%	10.5%	1.33%
First Cont'l.	0.32	None	1.75
Great Amer. Mtg.	0.61	3.9	1.18
Gould Inv. Tr.	0.14	0.7	1.32
New Plan Rlty.	None	None	1.86
Property Cap.	0.78	0.7	1.41
Realty Inc.	0.51	5.3	1.01
Rlty. Refund	None	None	1.29
U.S. Realty	None	0.6	0.78
Walter (Jim) Inv.	0.27	None	1.88
AVERAGES	0.40%	2.2%	1.38%

#Based on gross portfolio. *Avg. of last two qtrs. Problems loans are total of foreclosed property and non-earning investments on which interest or rent is not being accrued.

Our choices from the group are Great American and North American in the mortgage group, although smaller First Continental has speculative attraction. Among equity trusts, General Growth and U.S. Realty are worthy and Property Capital has speculative recovery potential. The remainder are longer-term holdings.